

Quonset Development Corporation

Meeting of the Marketing & Business Development Committee

Public Session Minutes

Monday, November 19, 2007

A meeting of the Marketing & Business Development Committee of the Quonset Development Corporation (the “Corporation” and/or “QDC”) was held at 3:45 p.m. on Monday, November 19, 2007 at the offices of the Corporation located at 30 Enterprise Drive, North Kingstown, Rhode Island, pursuant to notice to all members of the Committee and a public notice of the meeting as required by the Bylaws of the Corporation and applicable Rhode Island Law.

The following Committee Members were present and participated throughout the meeting as indicated: Thomas Hazlehurst and David A. Doern. One position on the Marketing & Business Development Committee is currently vacant. The following QDC staff was present: Steven King, Chief Operating Officer and Heidi Green, Planning Specialist of Quonset Development Corporation. Gerald Lavalley and Michael Wall from CB Richard Ellis were also present.

1. CALL TO ORDER

The meeting was called or order at 3:50 p.m.

2. APPROVAL OF MINUTES

Upon motion duly made by David Doern and seconded by Thomas Hazlehurst, the Committee:

VOTED: To approve the minutes from the March 19, 2007 meeting.

Voting in favor were: David Doern and Thomas Hazlehurst.

Voting against were: None.

Unanimously Approved.

3. ECONOMIC OVERVIEW BY CB RICHARD ELLIS

Mr. Lavalley provided an overview of the real estate market to the Committee, including the capitol market and how the changes will affect Quonset Business Park's ability to move forward. Mr. Lavalley's overview consisted of a market overview, the Rhode Island real estate market, tenants currently looking for space in Rhode Island and in New England, Park activities and marketing strategies.

A. Capital Markets:

- Debt is becoming harder to place**
- The sub prime crisis is projected to cause a 9 to 14 month fall out**
- Companies with their own cash will drive prices down**

- Cap rates will increase
- It will complicate some development
- Deals that QDC have in place now are fine
- Hotels are becoming more difficult to finance
- Economics are changing so lending practices will change

B. Real Estate:

- Capitalization rates are increasing in all real estate sectors
 -  Retail 25-75 points
 -  Industrial 50-100 points
 -  Office 50-75 points
 -  Hotel 50-75
 -  Multi-family 25-50 points
- Spread has moved was 160 now we are in the 225/250 range relative to the 10 year
- No cap rate compression
- Tenant activity is strong – depending on market segments
 -  Boston is very strong
 -  Some larger tenants looking for space have failed to find suitable locations
 -  FAR increasing in Waltham
 -  Providence has more institutional activity
 -  Problem is chicken and egg relative to office
 -  Capital markets causing companies to look for tenant commitments before building new building
- New Boston has committed to constructing two 20,000 sq ft office

buildings

- Interest from a 40,000 sq foot tenant that would probably lease space in the 80,000 building or build a building
- Concerned about spec space – could affect the 50 acres on the water

Spec building within the park:

• Falvey – 30,000 – 20,000 sq. ft. for tenants

• Riggs – 30,000 sq. ft. of office space

C. Rhode Industrial Market:

- Hot in the beginning of 2007
- Cooled off in the fall of 2007
- Vacancy rate is up about 8%
- Absorption currently tracking at a negative rate of 550,000 sq. ft. impacted by Job Lot's former facility consisting of 450,000 sq ft (functionally obsolete)
- Sale prices remain strong for existing buildings with values close to replacement cost for product under 40,000 sq. ft.
- Rhode Island – businesses generally want to own buildings not lease
- Vacancy rates have fluctuated as most tenants relocate within RI
- No real influx from MA and CT
- Institutional industrial investment (warehouse)
- Not a lot of institutional industrial in RI
- Some being built in Mansfield, MA
- Land values have increased –lack of availability and infrastructure

 FedEx building 150,000 sq ft in Johnston-\$150,000 an acre (21 acres)

- Northern Rhode Island**

 \$150,000 to \$160,000 an acre

- Flex building in park is a good thing**

- Not a lot of sites for a 50,000 sq ft building - QDC has one parcel large enough**

D. Office Market:

- Downtown vacancy low**

- Struever Locomotive new space on market (where EDC is sited)**

- Class A market has done very well downtown**

- Tenant fit up costs continue to be high which affects landlord and tenant economics**

- West Bay market –high vacancy rate – Cranston, Warwick, East Greenwich**

- 600,000 sq ft of existing buildings and new construction on market**

 240,000 Brooks available

 3-4 new buildings consisting of 40,000 to 90,000 sq ft available

- Absorption 100,000 sq ft a year**

E. Suburban Office Market:

- Office rates range from \$14 to low \$20's depending on tenant improvements and location**

- Real opportunities in Rhode Island below market value**

- **Waltham has increased to the \$40-45 per square foot range**
- **G-Tech leases at \$40 a sq ft**

Upon motion duly made by David Doern and seconded by Thomas Hazlehurst, the Committee:

4. VOTE TO ADJOURN TO EXECUTIVE SESSION

To adjourn to Executive Session to consider and take appropriate action such matters as permitted by subsection (5) (acquisition or lease of real estate for public purposes or dispositions of publicly held property), subsection (6) (location of prospective businesses in Rhode Island), or subsection (7), (investment of public funds) of Rhode Island General Laws, Section 42-46-5 (a), the Open Meeting Law.

Voting in favor were: David Doern and Thomas Hazlehurst

Voting against were: None.

Meeting adjourned to Executive Session at 4:10 p.m. The meeting reconvened in Public Session at 4:48 p.m.

5. VOTE TO MAINTAIN MINUTES OF EXECUTIVE SESSION CLOSED:

Upon motion duly made by Mr. Doern and seconded by Mr. Hazlehurst, the Committee:

VOTED: Pursuant to Section 42-64-4 and 42-46-5 of the General Laws, the minutes of the Executive Session shall not be made available to the public at the next regularly scheduled meeting of the Committee because such disclosure may adversely impact ongoing negotiations

There being no further business to come before the committee, upon motion made duly by David Doern and seconded by Thomas Hazlehurst, the meeting was adjourned at 4:50 p.m.

Respectfully submitted:

By:_____

Steven J. King, P.E.

Managing Director